August 9, 2010

VAALCO Energy Announces Second Quarter 2010 Results

Extends Successful Drilling Program

HOUSTON, Aug. 9 /PRNewswire-FirstCall/ -- VAALCO Energy, Inc. (NYSE: EGY) today reported net income attributable to VAALCO of $10.0 million, or $0.18 per diluted share, for the second quarter of 2010 compared to a net loss attributable to VAALCO of $1.7 million or ($0.03) per diluted share, for the comparable period in 2009. Second quarter 2010 revenues were $33.7 million compared to $32.1 million in the second quarter of 2009.

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Second quarter 2010 results reflect higher oil prices, partially offset by lower oil sales volume, when compared to the second quarter of 2009. Second quarter 2009 results also included costs associated with unsuccessful exploration wells that were not incurred in the 2010 quarter.

Exploration and Development Activities

Gabon:

As previously announced, VAALCO and its consortium partners have exercised an option to extend the contract for the jack-up drilling rig, the Sapphire Driller, to drill two additional wells, thereby expanding the ongoing drilling program offshore Gabon to six wells. These two additional wells are expected to be completed during 2010.

The Company has previously announced the successful completion of the Ebouri 4H development well, which began producing oil in May 2010, and the successful workover of the Ebouri 3H well to replace submersible pumps. The third well was the recently announced discovery on the Southeast Etame prospect. Additional studies will be undertaken to determine reservoir size and evaluate various completion options.

The remaining wells in the ongoing drilling program offshore Gabon are as follows:

- Etame 7HHorizontal development well in a known separate fault block in the Etame field that is expected to add additional production. VAALCO expects to complete the well, including installation of a sub-sea tree, during the fourth quarter of 2010 at a gross cost of $44.0 million ($13.4 million net to VAALCO). The rig has arrived on location.

- ETBSM-2H Development well in the South Tchibala field to be drilled from the existing Avouma/South Tchibala platform at a gross cost of $22.5

million ($6.8 million net to VAALCO).

-- ETOMG-1Exploration well on the Omangou prospect to test both the Gamba and Dentale reservoirs. The Omangou prospect is located approximately two miles southeast of the Ebouri platform and approximately four miles to the northwest of the center of the Etame field. The well is expected to be drilled at a gross cost of $9.5 million ($2.9 million net to VAALCO).

The Company's subsidiary, VAALCO Gabon Etame, Inc., operates and owns a 28.07% net interest in the Etame Marin block. Other partners in the block are Addax Petroleum Etame, Inc. (31.36%), Sasol Petroleum Etame Limited (27.75%), Sojitz Etame Limited (2.98%), PetroEnergy Resources Corp. (2.34%) and Tullow Oil Gabon SA (7.5%).

Onshore Gabon, the Company has a 100% working interest in the Mutamba Iroru block located near the coast in central Gabon. VAALCO has a request pending with the Republic of Gabon for a one-year extension of the block and expects the extension to be finalized in the third quarter of 2010. In conjunction with the extension, an agreement with a third party has been reached which will establish a joint operation on the block. The intentions of the joint operation include seismic reprocessing in 2010 followed by the drilling of a well in 2011.

Angola:

VAALCO has a production sharing contract for a 40% working interest in Block 5 offshore Angola. The Company has acquired approximately 1,700 square kilometers of seismic data over a portion of Block 5 and has identified drilling objectives. Plans to drill two exploration wells have been delayed due to a non-performing partner.

In early 2010, the Company began working with the government of Angola to obtain both a replacement partner and a time extension for the drilling of the commitment wells. At a meeting in June 2010, Sonangol (Republic of Angola) confirmed that a decision has been made to replace the non-performing partner and that it would be reasonable to provide VAALCO with a one year time extension for drilling the wells once a new partner has been named. If the Company is successful in obtaining the extension and a replacement partner, VAALCO expects to commence drilling the exploration wells in the first half of 2011.

2010 Second Quarter Financial Results Discussion

During the second quarter of 2010, the Company sold approximately 443,000 net barrels of oil equivalent at an average price of $76.00 per barrel compared to 544,000 net barrels of oil equivalent at an average price of $59.10 per barrel in the second quarter of 2009. Crude oil sales are a function of the number and size of crude oil liftings in each quarter from the Company's floating production, storage and offloading ("FPSO") facilities.

Crude oil production from the Etame, Avouma, South Tchibala and Ebouri fields averaged approximately 20,200 barrels of oil per day ("BOPD") in the second quarter of 2010 compared to approximately 24,000 BOPD in the second quarter of 2009. This production decrease was due to curtailed production from the Ebouri 3H well which underwent a

workover during the quarter to replace failed electrical submersible pumps and also due to increased water cuts from mature wells. The newly installed pumps on the Ebouri 3H well are in operation and production from this well has been optimized at approximately 3,000 BOPD (gross).

Capital expenditures for the second quarter 2010 were $12.4 million, primarily associated with the drilling of the development well in the Ebouri field totaling $7.2 million, the successful drilling of the exploration well in the Southeast Etame area totaling $4.1 million, and for the purchase of equipment for the Etame 7H development well to be drilled in the third quarter of 2010. The Company estimates capital expenditures of $25 million net to VAALCO for drilling activities during the remainder of 2010 of which $20 million of expenditures is expected offshore Gabon. In addition, VAALCO has budgeted $5 million in anticipation of drilling activity in Block 5 Angola, although locations and timing remain uncertain.

Production expenses were $6.1 million in the second quarter of 2010 compared to $4.5 million in the prior year period. Production expenses were higher primarily due to workover expenses of $1.2 million associated with the Ebouri 3H well to replace the failed submersible pumps.

Exploration expense was $0.4 million in the second quarter of 2010 compared to $13.5 million in the comparable period in 2009. The change was primarily due to unsuccessful exploration well costs incurred in the year ago period.

Income tax expense for the second quarter of 2010 was $8.7 million compared to $7.3 million in the 2009 second quarter. The increase in income taxes reflects higher oil prices and a higher percentage of oil production allocated as "profit oil" vs. "cost oil."

Balance Sheet

On June 30, 2010, the Company had unrestricted cash balances of $80.8 million and no debt. The Company expects its cash balances plus cash from continuing operations will be more than sufficient to fund the Company's exploration and development programs in Gabon and Angola.

Conference Call

As previously announced, the Company will hold a conference call to discuss its second quarter 2010 results on Tuesday, August 10, 2010 at 10:00 a.m. Central Time (11:00 a.m. Eastern Time). Interested parties may participate by dialing 1 (888) 276-0010. International parties may dial 1 (612) 332-0725. The confirmation code is 166207. This call will also be webcast on VAALCO's web site at www.vaalco.com.

An audio replay will be available beginning approximately one hour after the end of the conference call through Friday, September 10, 2010 on the Company's website and by dialing 1 (800) 475-6701. International parties may dial 1 (320) 365-3844. The confirmation code is 166207.

Summary financial results for the quarter are tabulated below.

	Three Months Ended June 30,	Six Months Ended June 30,

(Unaudited - in thousands of dollars)	2010	2009	2010	2009
Revenues	$ 33,675	$ 32,148	$ 63,681	$ 53,406
Operating costs and expenses	13,582	25,573	25,709	57,293
Operating Income (Loss)	20,093	6,575	37,972	(3,887)
Other Income (Expense)	(3)	709	(164)	1,545
Income tax expense	(8,676)	(7,323)	(19,470)	(9,702)
Net Income (Loss)	11,414	(39)	18,338	(12,044)
Less net income - noncontrolling interest	1,378	1,642	2,334	2,256
Net income (Loss) - VAALCO Energy, Inc.	$ 10,036	$ (1,681)	$ 16,004	$ (14,300)
Basic Income (Loss) per Common Share	$ 0.18	$ (0.03)	$ 0.28	$ (0.25)
Diluted Income (Loss) per Common Share	$ 0.18	$ (0.03)	$ 0.28	$ (0.25)

Other financial results:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited)	2010	2009	2010	2009
Net oil and gas sales (MBOE)	443	544	846	1,047
Average price ($/bbl)	$76.00	$59.10	$75.20	$50.95
Production costs ($/bbl)	$13.83	$8.25	$13.08	$9.72
Depletion costs ($/bbl)	$9.98	$10.33	$9.83	$10.77
General and administrative costs ($/bbl)	$5.93	$7.24	$5.80	$3.68

Capital expenditures, excluding dry hole costs ($thousands)	$8,389	($3,300)	$12,422	$9,300

	As of June 30,	
	2010	2009
Debt/Proved reserves ($/BOE)	$0.00	$0.78
Debt/Capitalization ($/$)	$0.00	$0.03
Cash and cash equivalents ($thousands)	$80,791	$88,369
Working capital ($thousands)	$94,933	$76,705

Basic and diluted share information:

	Three months ended,		Six months ended,	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Basic weighted average common stock issued and outstanding	56,427,253	58,260,074	56,424,810	58,260,741
Dilutive options	601,245	-	302,090	-
Total dilutive shares	57,028,498	58,260,074	56,726,900	58,260,741

Forward-Looking Statements

This document includes "forward-looking statements" as defined by the U.S. securities laws. Forward-looking statements are those concerning VAALCO's plans, expectations, and objectives for future drilling, completion and other operations and activities. All statements

included in this document that address activities, events or developments that VAALCO expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include future production rates, expected capital expenditures, prospect evaluations, drilling timing, completion and production timetables, and costs to complete wells. These statements are based on assumptions made by VAALCO based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond VAALCO's control. These risks include, but are not limited to, inflation, lack of availability of goods, services and capital, environmental risks, drilling risks, foreign operational risks and regulatory changes. Investors are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. These risks are further described in VAALCO's annual report on Form 10-K for the year ended December 31, 2009 and other reports filed with the SEC which can be reviewed at http://www.sec.gov, or which can be received by contacting VAALCO at 4600 Post Oak Place, Suite 309, Houston, Texas 77027, (713) 623-0801.

About VAALCO

VAALCO Energy, Inc. is a Houston based independent energy company principally engaged in the acquisition, exploration, development and production of crude oil. VAALCO's strategy is to increase reserves and production through the exploration and exploitation of oil and natural gas properties with high emphasis on international opportunities. The Company's properties and exploration acreage are located primarily in Gabon and Angola, West Africa.

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